

AR04

*File*  
The Becker Milk Company Limited



# Annual Report

Year ended April 30, 1978







# Table of Contents

Highlights of the year	3
Directors report to the Shareholders	4-5
Financial Position	6
Consolidated Statement of Earnings	7
Balance Sheet	8-9
Consolidated Statement of Changes in Financial Position	10
Notes to Consolidated Financial Statements	11-12
Auditor's Report	13
10 Years Progress Report	14-15
Directors & Officers	16
Becker Country	17





# BECKER'S

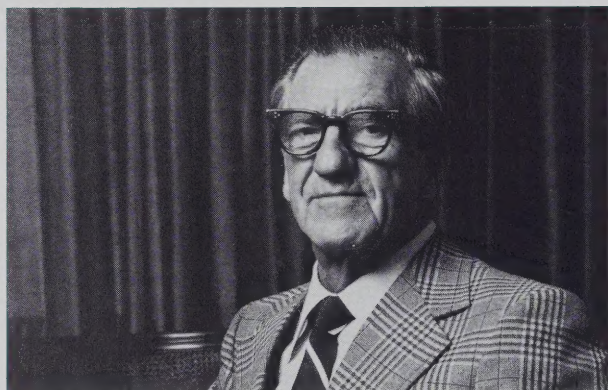




# Highlights of the year

	Year Ended April 30		Percentage Change
	1978	1977	
Sales	<b>140,039,831</b>	135,876,529	+ 3.1
Operating earnings	<b>3,676,082</b>	4,466,930	-17.7
Net earnings	<b>505,944</b>	990,530	-48.9
Earnings per share	<b>.27</b>	.56	-51.1
Long term debt	<b>3,600,468</b>	3,486,567	+ 3.3
Shareholders' equity	<b>16,227,591</b>	16,185,787	+ .3
Shares outstanding—Class A	<b>5,675</b>	5,675	—
—Class B	<b>1,179,610</b>	1,179,610	—
—Common	<b>540,750</b>	540,750	—
Number of Stores	<b>580</b>	564	+ 2.8

# Director's report to the shareholders



Your Company is now twenty-one years old. In human terms we have attained adulthood, grown up and reached the point where further growth would only be in the areas of experience, quality and maturity.

As a Corporation we are not subject to such limitations. We expect to continue our growth in every sense, physically as well as in quality and maturity.

Our overall growth during the twenty-one years has been very gratifying and has been attained despite the increasing competitiveness of our market-place in general and our industry in particular.

Profitable growth during the past few years has been especially difficult and it seems that for quite a number of times now we have found it necessary, in our report to shareholders, to refer to "intense competition within our industry".



Supermarket price wars, loss leadering, issuance of coupons and the introduction and re-introduction of "new" marketing concepts and slogans have become an every day occurrence. Competing chains herald their respective plans as better ways for the consumer to save more and more money when shopping for food.

During the past year, these pressures of competition did not ease, indeed an escalation took place.

Our own position was made more difficult by a labour dispute involving our plant and delivery employees in Toronto. As a result, for the first five months of the past year, our plant was operating under somewhat adverse conditions. The settlement of the dispute, resulting in a three year agreement with our employees, has now enabled us to operate our plant and delivery system with greater efficiency than before.



The difficult conditions are reflected in our rate of growth during this past year and in the operating results.

Our sales for the year were \$140,039,831, showing an increase of 3% from previous years sales. The number of outlets operating at the end of the year was 580, also showing a 3% increase.

Net earnings from operations were \$505,944, a reduction of 49% from previous years earnings of \$990,530. The per share earnings were 27 cents, compared to 56 cents the year before. We feel it is significant and encouraging that over 80% of these earnings occurred in the final quarter of the year.

The net increase of 16 stores in the number of our outlets was very low in comparison to other recent years. It was the result of restraint in the light of business conditions generally and our own circumstances particularly.

New store openings were significantly curtailed during the early part of the year. The net increase of stores was further affected as we looked at existing stores even more critically, closing marginal stores in the interest of overall efficiency and profitability.

For the second consecutive year now our capital expenditures have been reduced and fixed asset additions were lower by over one million dollars from the previous years figure. This helped us to again make an improvement in our working capital.

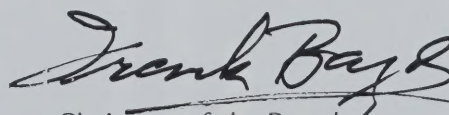
It is heartening that this year the improvement was achieved without any further inflow of capital and with earnings even further depressed from previous year.

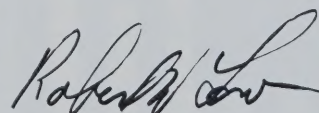
Difficult business conditions are still with us. Competition in food industry is continuing and retail prices for milk are depressed.

To maintain growth within such environment one must be ready and able to adjust and to change.

We are confident that we can and will continue to make all the adjustments necessary for our growth in the coming years.

Sincerely,

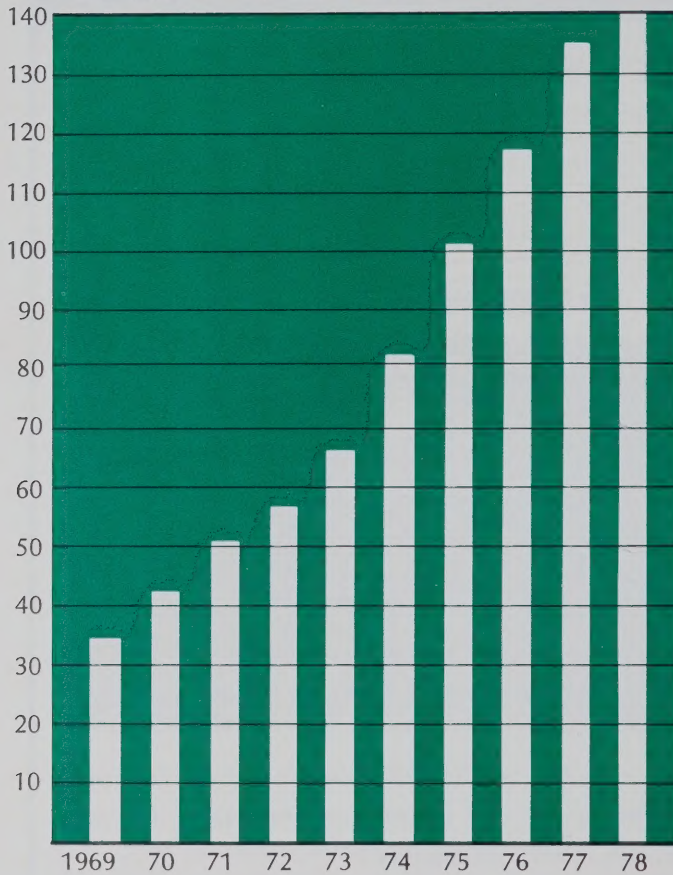
  
Chairman of the Board

President 



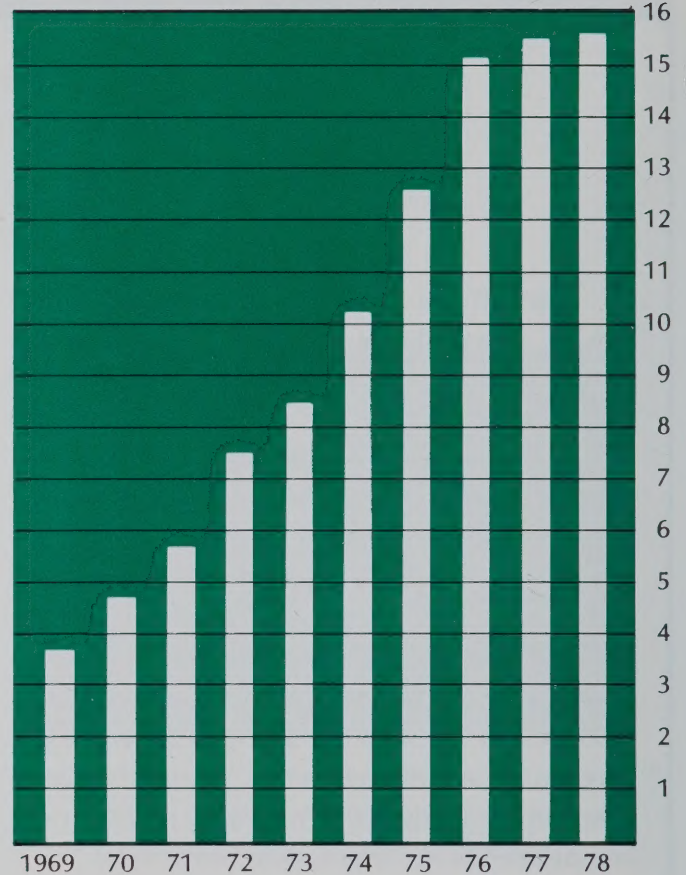
# Financial Position

**Total Sales** in Millions of dollars



**Shareholders' Equity**

(Class B and Common) in Millions of dollars

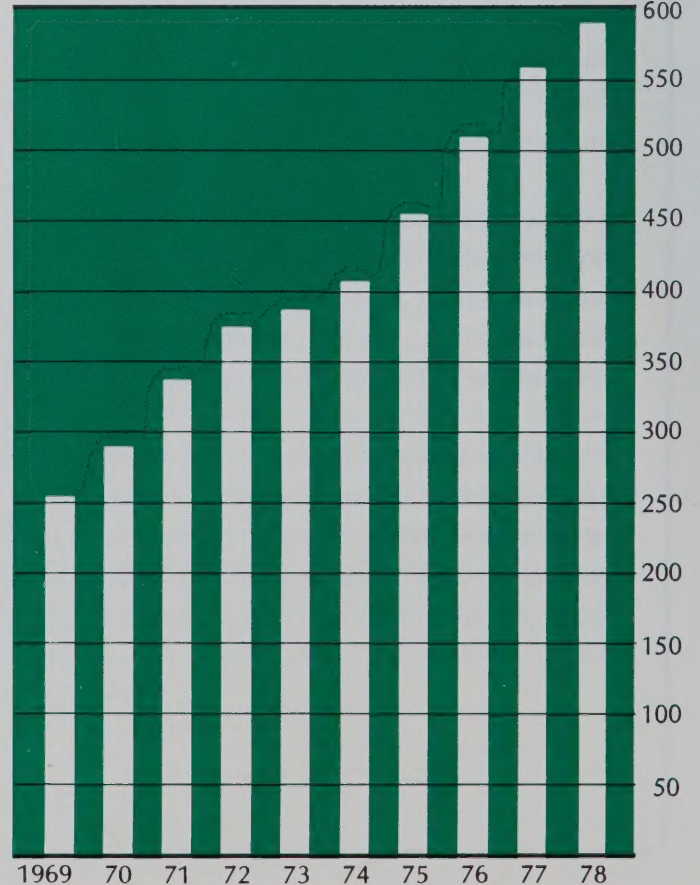


**Net Earnings (after tax)**

in Hundred Thousands of dollars



**Number of Stores**





# The Becker Milk Company Limited and Subsidiary Companies

## Consolidated Statement of Retained Earnings

for the year ended April 30, 1978

	1978 \$	1977 \$
Balance at beginning of year	14,750,544	14,224,154
Net earnings for the year	505,944	990,530
	15,256,488	15,214,684
Dividends—class A preference shares	34,050	34,050
—class B preference shares	294,903	294,903
—common shares	135,187	135,187
	464,140	464,140
Balance at end of year	14,792,348	14,750,544

## Consolidated Statement of Earnings

for the year ended April 30, 1978

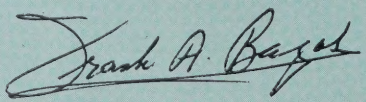
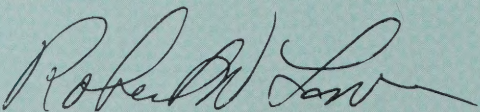
	1978 \$	1977 \$
Sales — Note 1	140,039,831	135,876,529
Earnings before depreciation and amortization, interest charges and taxes on income	3,676,082	4,466,930
Depreciation and amortization	2,568,973	2,333,974
Interest charges on long-term debt	358,165	251,426
	2,927,138	2,585,400
Net earnings before taxes on income	748,944	1,881,530
Provision for income taxes —		
Current	—	776,500
Deferred	243,000	114,500
	243,000	891,000
Net earnings for the year	505,944	990,530
Earnings per class B and common shares	.27	.56



# The Becker Milk Company Limited and Subsidiary Companies

## Consolidated Balance Sheet as at April 30, 1978

### ASSETS

	1978 \$	1977 \$
<b>Current Assets</b>		
Cash	50,510	48,140
Marketable securities - at cost	5,073	5,073
Accounts receivable	2,325,379	2,874,726
Inventories - Note 1	8,440,898	8,209,026
Prepaid expenses and deposits	248,633	208,808
Corporation income tax refund due	—	896,569
Mortgages receivable	186,269	164,010
	11,256,762	12,406,352
<b>Investments</b>		
Chattel mortgages receivable	131,272	302,332
Mortgages receivable	156,888	107,017
	288,160	409,349
Less: Principal due within one year	186,269	164,010
	101,891	245,339
<b>Fixed Assets - Note 1</b>		
Assets - at cost	34,937,086	32,077,501
Less: Accumulated depreciation and amortization	13,684,291	11,421,442
	21,252,795	20,656,059
<b>Other Assets</b>		
Rent deposits	14,542	15,292
Progress draws on equipment and building construction	136,657	127,886
Payment in respect of retail sales tax assessment - Note 2	—	163,375
Payment in respect of Department of Labour assessments - Note 3	582,575	582,575
Other	103,601	127,059
	837,375	1,016,187
Approved on behalf of the Board:		
Director 		
Director 		
	33,448,823	34,323,937



# The Becker Milk Company Limited and Subsidiary Companies

## Consolidated Balance Sheet as at April 30, 1978

### LIABILITIES

	1978 \$	1977 \$
<b>Current Liabilities</b>		
Bank indebtedness — Note 7	1,509,627	3,669,640
Accounts payable and accrued charges	8,084,561	8,521,318
Dividends payable — Note 6	215,045	215,045
Deferred franchise income	61,921	65,817
Loan payable	1,265,000	
Sundry mortgages and debentures payable	582,480	464,091
	<b>11,718,634</b>	<b>12,935,911</b>
<b>Long-Term Liabilities</b>		
Deferred franchise income — Note 1	365,748	446,639
Deferred income — Note 2	134,791	
Series C debentures — Note 4	3,000,000	3,400,000
Sundry mortgages payable — Note 5	826,938	428,658
Other	221,219	122,000
	<b>4,548,696</b>	<b>4,397,297</b>
Less: Due within one year	<b>644,401</b>	<b>529,908</b>
	<b>3,904,295</b>	<b>3,867,389</b>
<b>Deferred income taxes — Note 1</b>	<b>1,598,303</b>	<b>1,334,850</b>
	<b>17,221,232</b>	<b>18,138,150</b>

### SHAREHOLDERS' EQUITY

#### Share Capital

Authorized —		
8,000 — 6% cumulative class A preference shares with a par value of \$100 each, redeemable at par		
2,459,250 — non-voting, non-cumulative, participating class class B preference shares without par value		
640,750 — common shares without par value		
Issued and Fully Paid —		
5,675 — class A Shares	567,500	567,500
1,179,610 — class B shares	867,455	867,455
540,750 — common shares	288	288
	<b>1,435,243</b>	<b>1,435,243</b>
Retained earnings — Note 6	<b>14,792,348</b>	<b>14,750,544</b>
	<b>16,227,591</b>	<b>16,185,787</b>
	<b>33,448,823</b>	<b>34,323,937</b>

The accompanying notes are an integral part of the consolidated financial statements.



# The Becker Milk Company Limited and Subsidiary Companies

## Consolidated Statement of Changes in Financial Position for the year ended April 30, 1978

	1978 \$	1977 \$
<b>Sources of Working Capital</b>		
Net earnings for the year	505,944	990,530
Non-cash charges deducted in arriving at earnings, principally depreciation and deferred income taxes	2,875,430	2,443,400
Funds provided from operations	3,381,374	3,433,930
Increase in long-term debt and deferred income	36,906	1,636,825
Sale of fixed assets	192,243	92,958
Decrease in investments	143,448	183,489
Sales tax refund	163,375	—
Other	28,453	—
	3,945,799	5,347,202
<b>Applications of Working Capital</b>		
Fixed asset additions and progress draw billings	3,413,972	4,672,639
Dividends	464,140	464,140
Other	—	1,038
	3,878,112	5,137,817
Increase in working capital	67,687	209,385
Working capital deficiency at beginning of year	529,559	738,944
Working capital deficiency at end of year	461,872	529,559



## Notes to Consolidated Financial Statements as at April 30, 1978

### 1. ACCOUNTING POLICIES

#### Principles of Consolidation

The accounts of the subsidiary companies have been included in the consolidation from the date of their acquisition.

#### Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined for processing and warehousing inventory on a first-in, first-out basis and for retail store inventories on a first-in, first-out basis applied by the retail inventory method.

Inventory values are as follows:-

	April 30	
	1978	1977
	\$	\$
Processing and warehousing	1,119,294	1,068,259
Store	7,321,604	7,140,767
	8,440,898	8,209,026

#### Fixed Assets

Fixed assets are valued at cost and are classified as follows:-

	1978	1977
	\$	\$
Land	2,429,901	2,278,313
Buildings and leasehold improvements	10,407,763	9,842,241
Store, production, automotive and office equipment	22,099,422	19,956,947
	34,937,086	32,077,501
Less: Accumulated depreciation and amortization	13,684,291	11,421,442
	21,252,795	20,656,059

Depreciation has been calculated in accordance with the Company's established policy of amortizing the depreciable properties over their estimated useful life, with the exception of trucks and automobiles, which have been depreciated at maximum normal rates permitted by regulation under The Canada Income Tax Act.

The Company has continued to claim maximum allowances for income tax purposes.

#### Sales

Sales include sales by Company-owned stores and sales by the Company to its franchisees.

#### Franchise Income

Franchise fees are taken into income over the term of the franchise agreement.

#### Income Taxes

Income taxes are accounted for on the tax allocation method, whereby income taxes are fully provided on reported earnings at current tax rates. Reported earnings differ from taxable income because of timing differences, principally depreciation and franchise fee income.



## **2. RETAIL SALES TAX ASSESSMENTS**

During the year, The Supreme Court of Ontario ruled in favour of the Company regarding two assessments levied by The Retail Sales Tax Department, resulting in a refund to the Company of the amounts previously paid plus accrued interest of \$134,791. The Retail Sales Tax Department is appealing the decision and accordingly, the Company has reflected the interest received as deferred income pending the results of the appeal.

## **3. DEPARTMENT OF LABOUR ASSESSMENTS**

The assessments are being contested and will result in a refund. At the present time, the amount of the refund is indeterminate.

## **4. SERIES C DEBENTURES**

The authorized maximum loan from the Company's bankers under these debentures is \$10,800,000. Draw-downs may be made to December 1, 1979. The Company has drawn-down \$4,000,000 to date. Repayment of principal is 10% per annum of the amount of the draw-downs, the current annual repayment being \$400,000. The loan may be prepaid at any time without notice or bonus. The Company's bankers hold warrants to purchase 8,000 class B Shares at \$6.19. The warrants are exercisable on or before January 31, 1982. The debentures are secured by a charge on all assets presently owned and hereafter acquired. Dividends may be paid on any class of shares provided capital and retained earnings exceed \$10,000,000.

## **5. SUNDRY MORTGAGES PAYABLE**

The principal amounts mature up to 1986 with various interest rates not exceeding 12% per annum.

## **6. DIVIDENDS**

On December 31, 1977, the Company declared a dividend of \$6 per share on its class A shares, being the dividend accruing from January 1, 1977 to December 31, 1977. This dividend totalling \$34,050 was paid on January 2, 1978. Dividends totalling 25¢ per share were declared on class B and common shares during the year.

## **7. FLOATING CHARGE DEBENTURE**

The bank indebtedness is secured by a floating charge debenture.

## **8. REMUNERATION OF DIRECTORS AND OFFICERS**

Expenses include \$341,544 (last year \$337,937) for remuneration of officers and \$8,800 (last year \$9,400) for directors.

## **9. LEASES**

The minimum annual rentals payable (excluding insurance, property taxes and certain other occupancy charges) under the lease obligations for store locations amount to \$3,662,000. The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, amounts to \$17,209,000.

## **10. FEDERAL ANTI-INFLATION LEGISLATION**

The Company is subject to the Anti-Inflation Act which restrains increases in certain prices, profit margins and compensation subsequent to October 14, 1975. Under the terms of the Anti-Inflation Act, the Company cannot pay dividends in excess of 28.6¢ per class B and common share during the period October 14, 1977 to October 13, 1978.



# LANGLOIS, HAUCK & COMPANY

## CHARTERED ACCOUNTANTS

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1978 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, subject to the outcome of the proceedings referred to in Note 3, these consolidated financial statements present fairly the financial position of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario, July 11, 1978

*Langlois, Hauck & Company*  
Chartered Accountants



The Becker Milk Company Limited  
**TEN YEARS OF**  
 Year ended

	1978 \$	1977 \$	1976 \$	1975 \$
Sales	140,039,831	135,876,529	117,940,268	100,011,774
Earnings before depreciation and amortizations, interest and taxes on income	3,676,082	4,466,930	7,778,482	7,541,665
Depreciation and amortization	2,568,973	2,333,974	1,782,854	1,487,472
Interest	358,165	251,426	224,515	261,424
Taxes on income	243,000	891,000	2,758,000	3,017,000
Net earnings	505,944	990,530	3,013,113	2,775,769
Shareholders' equity (Note 1)	15,660,091	15,618,287	15,091,897	12,542,924
Shares outstanding (Note 1)	1,720,360	1,720,360	1,720,360	1,720,360
Net earnings per class B and common share (Note 2)	.27	.56	1.73	1.59
No. of stores (at end of fiscal year)	580	564	517	451
Net fixed asset additions	3,221,729	4,579,681	6,240,916	4,225,499

Notes

1. Combined Class B and Common.

2. Net earnings per share have been adjusted to allow for the current years Class "A" preference dividend. Dividends on Class "A" Shares from January 1, 1978 to April 30, 1978 amounting to \$11,350 have not been declared. and/or allowed in computing the shareholder's equity.



# PROGRESS

April 30

1974 1973 1972 1971 1970 1969  
\$ \$ \$ \$ \$ \$

82,512,538	76,084,930	68,670,017	56,956,164	50,636,008	42,581,264
5,533,008	3,950,902	4,381,989	3,252,808	3,271,049	2,716,803
1,243,306	1,199,672	1,110,483	958,516	814,019	693,962
223,504	174,032	175,962	195,230	194,858	80,813
2,061,000	1,212,500	1,484,400	1,111,560	1,197,800	1,025,431
2,005,198	1,364,698	1,611,144	1,075,002	1,064,372	916,597
10,188,286	8,475,193	7,316,581	5,901,457	4,853,593	3,815,981
1,720,360	1,720,360	1,720,360	1,719,220	1,718,260	1,717,540
1.15	.77	.92	.60	.60	.51
412	392	374	340	293	251
1,750,575	2,324,134	2,178,436	2,167,127	2,165,236	2,244,977



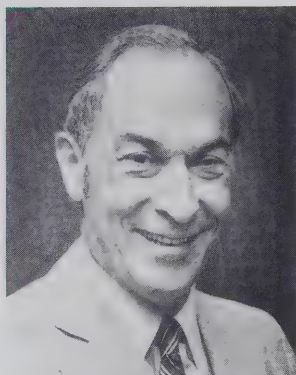
# Directors and officers



Frank A. Bazos



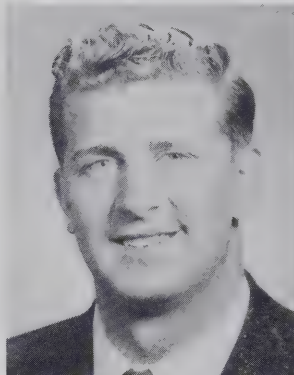
Robert W. Lowe



E.S. Miles



William H. Zimmerman \*



Robert Bazos



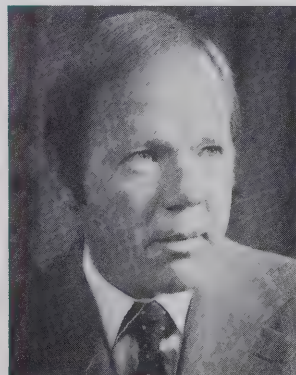
Harold Keene



George Panos



Arvi Magi



R.S. Paddon



Geoffrey W.J. Pottow

## Board of Directors

Frank A. Bazos  
Chairman of the Board  
The Becker Milk Company Limited  
Robert W. Lowe  
President  
The Becker Milk Company Limited  
Robert Bazos  
President  
Perrette Dairy Limited  
William H. Zimmerman \*  
Queen's Counsel  
E.S. Miles  
Executive  
George Panos  
Vice-President  
The Becker Milk Company Limited  
Geoffrey W.J. Pottow  
Vice-President  
The Becker Milk Company Limited  
Arvi Magi  
Vice-President-Treasurer  
The Becker Milk Company Limited

## Officers

Frank A. Bazos  
Chairman of the Board  
Robert W. Lowe  
President  
Robert Bazos  
Vice-President  
Arvi Magi  
Vice-President and Treasurer  
Harold Keene  
Vice-President

George Panos  
Vice-President  
Geoffrey W.J. Pottow  
Vice-President  
R.S. Paddon  
Secretary

## Registrar and Transfer Agent

The Royal Trust  
Company, Toronto and  
Montreal

## Auditors

Langlois, Hauck &  
Company, Toronto

## Solicitors

Aird & Berlis

## Stock Exchange Listing of Class "B" Shares

Toronto Stock Exchange

## Head Office

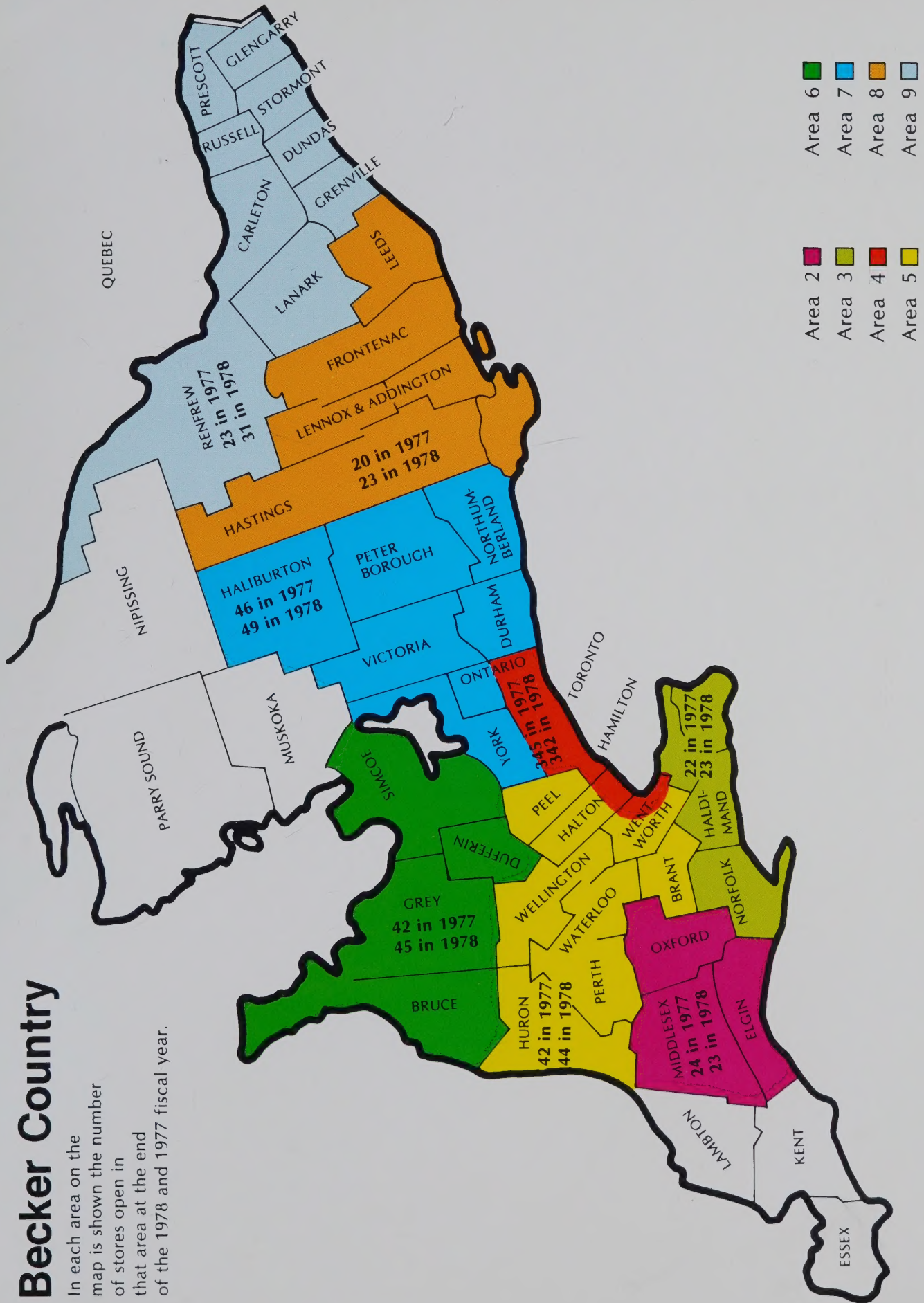
671 Warden Ave.,  
Scarborough, Ontario,  
Canada

\* Deceased August 28th, 1978



# Becker Country

In each area on the map is shown the number of stores open in that area at the end of the 1978 and 1977 fiscal year.









# CONSOLIDATED STATEMENT OF EARNINGS

UNAUDITED  
FOR THE SIX MONTHS ENDED  
OCTOBER 31, 1978

	1978	1977
Sales	\$ 79,691,251	\$ 72,001,449
Earnings before depreciation and amortization, interest charges and taxes on income	4,268,701	1,527,385
Depreciation and amortization	1,300,277	1,240,931
Interest charges on long-term debt	201,078	179,914
	1,501,355	1,420,845
Net earnings before taxes on income	2,767,346	106,540
Provision for income taxes		
Current	1,395,000	127,000
Deferred	(100,000)	(77,000)
	1,295,000	50,000
Net earnings for the period	1,472,346	56,540
Earnings per class B and common share	.85	.02

## HALF-YEAR HIGHLIGHTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 1978

	1978	1977
Sales	\$ 79,691,251	\$ 72,001,449
Operating earnings	4,268,701	1,527,385
Net operating earnings	1,472,346	56,540
Earnings per share	0.846	0.023
Long-term debt	3,443,565	3,496,384
Shareholders' equity	16,917,392	15,459,781
Shares outstanding		
Class A	5,675	5,675
Class B	1,179,610	1,179,610
Common	540,750	540,750
Number of stores	586	575

## INTERIM REPORT

TO THE SHAREHOLDERS OF  
THE BECKER MILK COMPANY LIMITED  
AND SUBSIDIARY COMPANIES

For the six months ended October 31, 1978

YBECKER

# BECKER'S



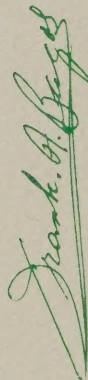
To Our Shareholders:

As of October 31, 1978 there were 586 Beckers' Stores in operation in our "Becker Country".

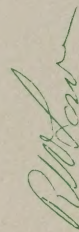
Sales of \$79,691,251 for the six month period showed an increase of \$7,689,802 or 11% over the sales of the first six months of last year.

Net earnings from operations were \$1,472,346 an equivalent of 85 cents per share, after allowing for the proportional Class "A" Preference Share dividends. The net earnings from operations in the same period last year were \$56,540 or 02 cents per share.

Sincerely



Chairman of the Board



President

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

UNAUDITED

FOR THE SIX MONTHS ENDED OCTOBER 31, 1978

	1978	1977
	\$	\$
Sources of Working Capital		
Net earnings for the period	1,472,346	56,540
Non-cash charges deducted in arriving at earnings, principally depreciation and deferred income taxes	1,198,614	1,189,482
Funds provided from operations	2,670,960	1,246,022
Decrease in investments	12,535	53,763
Disposal of fixed assets	144,779	53,087
	<u>2,828,274</u>	<u>1,352,872</u>

Applications of Working Capital		
Fixed asset additions and progress draw payments	1,640,482	1,505,117
Dividends declared	215,045	215,045
Decrease (increase) in long-term debt	22,112	(9,817)
Decrease in deferred income	6,635	38,979
Other	310	-
	<u>1,884,584</u>	<u>1,749,324</u>

December 14, 1978

Increase (decrease) in working capital	943,690	(396,452)
Working capital deficiency at beginning of period	461,872	529,559
Working capital (deficiency) at end of period	<u>481,818</u>	<u>(926,011)</u>